

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 COME-00 OPIC-03 H-02 TRSE-00

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R 211500Z MAY 75

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 0247

INFO AMEMBASSY SAN SALVADOR

LIMITED OFFICIAL USE SAN JOSE 2051

E.O. 11652: N/A

TAGS: ETRD, CS

SUBJECT: POSSIBLE DISCRIMINATORY LEGISLATION

1. TWO BILLS ARE UNDER CONSIDERATION IN THE LEGISLATIVE ASSEMBLY THAT WOULD DISCRIMINATE AGAINST FOREIGN BUSINESS ENTERPRISES. ONE WOULD IMPOSE A 15 CENTIMO TAX ON SOFTDRINKS THAT CARRY INTERNATIONAL NAMES, WHILE IMPOSING ONLY A 5 CENTIMO TAX ON LOCAL SOFTDRINKS. THE OTHER WOULD LEVY A 500 COLON QUARTERLY (\$58.55) TAX ON BUSINESS ESTABLISHMENTS THAT MAINTAIN THEIR NAMES IN A FOREIGN LANGUAGE. THE LATTER MEASURE WHICH APPEARS TO BE DIRECTED MAINLY AT SHOPS AND NIGHTCLUBS WHICH HAVE ENGLISH LANGUAGE NAMES, WOULD ALSO APPEAR TO CREATE PROBLEMS FOR SUCH ENTERPRISES AS MCDONALD'S, DAIRY QUEEN AND POP'S (A SALVADORAN-OWNED ICE CREAM CHAIN).

2. BOTH OF THESE MEASURES ARE UNDER ATTACK BY THE INTERESTED GROUPS CONCERNED. THE NATIONAL CHAMBER OF PRODUCERS OF CARBONATED BEVERAGES STRONGLY OPPOSES THE DISCRIMINATORY TAX, AS DO THE WORKERS IN THE SOFTDRINK INDUSTRIES WHO SAY THAT IT WOULD CAUSE MASSIVE UNEMPLOYMENT. THE BOTTLERS POINT OUT THAT THE CURRENT 5 CENTIMO TAX, WHICH BENEFITS COOPERATIVES AND UNIVERSITIES, COSTS THE INDUSTRY 18 MILLION COLONES PER YEAR, A SUM EQUAL TO THE SALARIES PAID TO THE 2,000 EMPLOYEES OF THE INDUSTRY. THE BOTTLERS POINT OUT THAT THEY ARE ALL LOCAL INDUSTRIES, EVEN IF SOME OF THEM

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PRODUCE FOREIGN BRANDS OF SOFTDRINKS AND THEY CLAIM A LOCAL

VALUE ADDED OF 86 PERCENT. THEY HAVE SAID THAT THEY

WOULD ACCEPT AN EQUAL TAX ON ALL BOTTLERS OF AN ADDITIONAL
5 CENTIMOS.

3. BOTH OF THESE PROVISIONS MAY WELL BE IN VIOLATION OF
ARTICLE 19 OF COSTA RICA'S CONSTITUTION WHICH PROVIDES THAT
"FOREIGNERS HAVE THE SAME DUTIES AND INDIVIDUAL AND SOCIAL
RIGHTS AS COSTA RICANS, WITH THE EXCEPTION AND LIMITS THAT
THE CONSTITUTION AND THE LAWS ESTABLISH." OBVIOUSLY,
HOWEVER, THE LAST FOUR WORDS OF ARTICLE 19 COULD CREATE A
PROBLEM IN THAT THEY APPEAR TO PERMIT THE CONSTITUTIONAL
EQUALITY OF FOREIGNERS TO BE MODIFIED BY MERE LAWS.

4. ACTION REQUESTED. EMBASSY WOULD APPRECIATE INSTRUCTIONS
IF THE DEPARTMENT WOULD LIKE THE EMBASSY'S INTERVENTION ON
EITHER OF THESE BILLS.

TODMAN

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